

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

UNITED STATES OF AMERICA)	
)	
)	CRIMINAL NO.
V.)	
)	Counts 1-7: 26 U.S.C. § 7201
)	(income tax evasion)
MICHAEL A. CAIN)	
)	

INDICTMENT

MAY 2002 TERM - at Alexandria, Virginia

THE GRAND JURY CHARGES THAT:

Introductory Paragraphs

1. Defendant Michael A. Cain was a self-employed computer engineer who owned and operated a computer consulting business in the Eastern District of Virginia since 1987.

2. As of May 2000, defendant Cain owed approximately \$382,000 in income taxes, interest and penalties for the tax years 1989, 1990, 1992, 1994, 1995, 1996, and 1997.

3. From June 1991 through May 2001, the Internal Revenue Service (IRS) attempted to obtain payment from defendant Cain for the taxes, interest and penalties. During that time, defendant Cain knowingly and intentionally attempted to evade and defeat the payment of his income tax liability.

4. During the years 1993 through 2001, the IRS filed federal tax liens in an attempt to collect the taxes owed by defendant Cain.

5. Defendant Cain attempted to evade payment by making false and fraudulent statements to revenue officers. He falsely represented that significant monthly payments were being made to the IRS. He made false and misleading statements to the revenue officers regarding his financial status.

6. Defendant Cain failed to file timely income tax returns for the years 1994, 1995, 1996, and 1997. In July 1998, defendant Cain filed delinquent income tax returns for the years 1994, 1995, 1996, and 1997, but he failed to pay the income tax liability reported on the income tax returns.

7. Defendant Cain filed false and fraudulent income tax returns for the years 1995 through 1997 which did not accurately report the gross receipts (line 1) on the Schedule C, Profit or Loss from Business.

8. During the calendar year 1998, defendant Cain had gross business receipts of approximately \$159,000. Defendant Cain failed to file his 1998 United States Individual Income Tax Return on or before April 15, 1999.

9. During the calendar year 1999, defendant Cain had gross business receipts of approximately \$105,000. Defendant Cain failed to file his 1999 United States Individual Income Tax

Return on or before April 17, 2000.

10. During the calendar year 2000, defendant Cain had gross business receipts of approximately \$78,000. Defendant Cain failed to file his 2000 United States Individual Income Tax Return on or before April 16, 2001.

11. Defendant Cain attempted to conceal his financial transactions from the IRS with the use of cash transactions.

12. Defendant Cain attempted to hide income he received from his business. Rather than depositing checks into a business account, defendant Cain took checks from his business customers to a check cashing business known as "Checks Cashed" in Manassas, Virginia. Defendant Cain cashed checks comprising approximately \$550,000 in business income at this location and paid approximately \$8,500 in check cashing fees. In addition, defendant Cain frequently paid his expenses through the use of money orders purchased at "Checks Cashed".

13. In December 1998, defendant Cain also attempted to conceal income by opening, or causing to be opened, a business checking account in the name of his son, Jacob Cain, trading as, Service CPM. Defendant Cain deposited income generated from his business to this account and used this money to pay for personal expenses.

14. Although defendant Cain was aware that his tax liability took priority over other debts, defendant Cain

consistently paid other creditors ahead of his tax liability. Between 1996 and 1999, defendant Cain made over \$80,000 in payments on his and his wife's credit cards. Defendant Cain also made over \$30,000 of payments to his family members rather than paying his tax liability.

Count 1

____15. Introductory Paragraphs 1-14 are reincorporated into Count 1 as further describing the defendant's attempt to evade and defeat taxes.

16. From in or about March 1991, the exact date being unknown, through the date of the indictment, in the Eastern District of Virginia, and elsewhere, Michael A. Cain, defendant, did willfully, knowingly, and unlawfully, attempt to evade and defeat the payment of some substantial portion of the taxes, interest, and penalties due and owing by him to the United States of America, which taxes, interest, and penalties were in excess of \$86,609 for the calendar year 1989 by preparing, and causing to be prepared, a United States Individual Income Tax Return for the year 1989 which was filed with the Internal Revenue Service, and failing to remit payment; by concealing and attempting to conceal from the IRS the nature and extent of his income; by making excessive payments to, and on behalf of, family members; by paying other creditors before his tax liability; by placing funds in the bank accounts of others; and by engaging in conduct,

the likely effect of which was to mislead and conceal.
(In violation of 26 U.S.C. § 7201).

Count 2

THE GRAND JURY FURTHER CHARGES THAT:

17. Introductory Paragraphs 1-14 are reincorporated into Count 2 as further describing the defendant's attempt to evade and defeat taxes.

18. From in or about April 1991, the exact date being unknown, through the date of the indictment, in the Eastern District of Virginia, and elsewhere, Michael A. Cain, defendant, did willfully, knowingly, and unlawfully, attempt to evade and defeat the payment of some substantial portion of the taxes, interest, and penalties due and owing by him to the United States of America, which taxes, interest, and penalties were in excess of \$29,124 for the calendar year 1990 by preparing, and causing to be prepared, a United States Individual Income Tax Return for the year 1990 which was filed with the Internal Revenue Service, and failing to remit payment; by concealing and attempting to conceal from the IRS the nature and extent of his income; by making excessive payments to, and on behalf of, family members; by paying other creditors before his tax liability; by placing funds in the bank accounts of others; and by engaging in conduct, the likely effect of which was to mislead and conceal.

(In violation of 26 U.S.C. § 7201).

Count 3

THE GRAND JURY FURTHER CHARGES THAT:

____19. Introductory Paragraphs 1-14 are reincorporated into Count 3 as further describing the defendant's attempt to evade and defeat taxes.

20. From in or about August 1993, the exact date being unknown, through the date of the indictment, in the Eastern District of Virginia, and elsewhere, Michael A. Cain defendant, did willfully, knowingly, and unlawfully, attempt to evade and defeat the payment of some substantial portion of the taxes, interest, and penalties due and owing by him to the United States of America, which taxes, interest, and penalties were in excess of \$46,173 for the calendar year 1992 by preparing, and causing to be prepared, a United States Individual Income Tax Return for the year 1992 which was filed with the Internal Revenue Service, and failing to remit payment; by concealing and attempting to conceal from the IRS the nature and extent of his income; by making excessive payments to, and on behalf of, family members; by paying other creditors before his tax liability; by placing funds in the bank accounts of others; and by engaging in conduct, the likely effect of which was to mislead and conceal.
(In violation of 26 U.S.C. § 7201).

Count 4

THE GRAND JURY FURTHER CHARGES THAT:

____21. Introductory Paragraphs 1-14 are reincorporated into Count 4 as further describing the defendant's attempt to evade and defeat taxes.

22. From in or about April 1995, the exact date being unknown, through the date of the indictment, in the Eastern District of Virginia, and elsewhere, Michael A. Cain, defendant, did willfully, knowingly, and unlawfully, attempt to evade and defeat the payment of some substantial portion of the taxes, interest, and penalties due and owing by him to the United States of America, which taxes, interest, and penalties were in excess of \$38,167 for the calendar year 1994 by preparing, and causing to be prepared, a United States Individual Income Tax Return for the year 1994 which was filed with the Internal Revenue Service, and failing to remit payment; by concealing and attempting to conceal from the IRS the nature and extent of his income; by making excessive payments to, and on behalf of, family members; by paying other creditors before his tax liability; by placing funds in the bank accounts of others; and by engaging in conduct, the likely effect of which was to mislead and conceal.
(In violation of 26 U.S.C. § 7201).

Count 5

THE GRAND JURY FURTHER CHARGES THAT:

23. Introductory Paragraphs 1-14 are reincorporated into Count 5 as further describing the defendant's attempt to evade and defeat taxes.

24. From in or about March 1995, the exact date being unknown, through the date of the indictment, in the Eastern District of Virginia, and elsewhere, Michael A. Cain, defendant, did willfully, knowingly, and unlawfully, attempt to evade and defeat the payment of some substantial portion of the taxes, interest, and penalties due and owing by him to the United States of America, which taxes, interest, and penalties were in excess of \$79,497 for the calendar year 1995 by preparing, and causing to be prepared, a United States Individual Income Tax Return for the year 1995 which was filed with the Internal Revenue Service, and failing to remit payment; by concealing and attempting to conceal from the IRS the nature and extent of his income; by making excessive payments to, and on behalf of, family members; by paying other creditors before his tax liability; by placing funds in the bank accounts of others; and by engaging in conduct, the likely effect of which was to mislead and conceal.
(In violation of 26 U.S.C. § 7201).

Count 6

THE GRAND JURY FURTHER CHARGES THAT:

25. Introductory Paragraphs 1-14 are reincorporated into Count 6 as further describing the defendant's attempt to evade and defeat taxes.

26. From in or about January 1996, the exact date being unknown, through the date of the indictment, in the Eastern District of Virginia, and elsewhere, Michael A. Cain, defendant, did willfully, knowingly, and unlawfully, attempt to evade and defeat the payment of some substantial portion of the taxes, interest, and penalties due and owing by him to the United States of America, which taxes, interest, and penalties were in excess of \$44,310 for the calendar year 1996 by preparing, and causing to be prepared, a United States Individual Income Tax Return for the year 1996 which was filed with the Internal Revenue Service, and failing to remit payment; by concealing and attempting to conceal from the IRS the nature and extent of his income; by making excessive payments to, and on behalf of, family members; by paying other creditors before his tax liability; by placing funds in the bank accounts of others; and by engaging in conduct, the likely effect of which was to mislead and conceal.
(In violation of 26 U.S.C. § 7201).

Count 7

THE GRAND JURY FURTHER CHARGES THAT:

27. Introductory Paragraphs 1-14 are reincorporated into Count 7 as further describing the defendant's attempt to evade and defeat taxes.

28. From in or about January 1997, the exact date being unknown, through the date of the indictment, in the Eastern District of Virginia, and elsewhere, Michael A. Cain, defendant, did willfully, knowingly, and unlawfully, attempt to evade and defeat the payment of some substantial portion of the taxes, interest, and penalties due and owing by him to the United States of America, which taxes, interest, and penalties were in excess of \$66,133 for the calendar year 1997 by preparing, and causing to be prepared, a United States Individual Income Tax Return for the year 1997 which was filed with the Internal Revenue Service, and failing to remit payment; by concealing and attempting to conceal from the IRS the nature and extent of his income; by making excessive payments to, and on behalf of, family members; by paying other creditors before his tax liability; by closing

his business bank account; by placing funds in the bank accounts of others; and by engaging in conduct, the likely effect of which was to mislead and conceal.

(In violation of 26 U.S.C. § 7201).

A TRUE BILL:

Foreperson

PAUL J. McNULTY
United States Attorney

Justin W. Williams
Assistant United States Attorney
Chief, Criminal Division

Dana J. Boente
Assistant United States Attorney

Robert Livermore
Special Assistant United States Attorney